

**May 11, 2010**

**UTILITIES COMMISSION**

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**7:00 p.m.**

The Stafford County Utilities Commission met for its regular meeting on May 11, 2010, in the Board Chambers in the Stafford County Administration Center. Commission members present were Steven Apicella, Lloyd Chittum, Bill Tignor and Clarence Young. Paul Bender and Dan Schroeder were present for PFM, our financial advisor. Harry Critzer, Dale Allen, Susan Fitzgibbon, Cheryl Giles and Mike Smith were present for the Utilities Department.

Public Presentations – Mr. Paul Waldowski commented he received a letter from his Stafford Meadows Homeowners Association (HOA) stating an additional charge of \$3.50 would be added to his water bill along with the water and sewer maintenance charge of \$15.98 that he currently pays to the HOA. Mr. Waldowski stated there are 33 other subdivisions with similar infrastructure as Stafford Meadows and requested the Utilities Commission find out what district the subdivisions are located in. Mr. Waldowski expressed that he would like for the County to acquire the maintenance of water and sewer lines for Stafford Meadows so as a tax paying citizen, he could receive a water and sewer bill from the County instead of from his HOA.

Public Hearing – Utilities Financial Manager, Susan Fitzgibbon presented proposed ordinance O10-30, which proposes to amend and readopt the fees for providing public water and sewer service. Ms. Fitzgibbon highlighted major projects that are currently underway that will:

- ♣ Help the environment
- ♣ Enhance our future water supply
- ♣ Improve our infrastructure
- ♣ Use customers dollars wisely

Ms. Fitzgibbon reported that the upgrades to Aquia and Little Falls Run Wastewater Treatment Facilities would help the environment because it would reduce the amounts of nitrogen and phosphorus discharged and assist in efforts to clean up the Chesapeake Bay.

The construction of the Rocky Pen Run Reservoir would enhance our future water supply because it would help us to meet current and future peak day water demand levels and enable us to provide sustainable operations during drought conditions. The water treatment capacity would increase from 16 millions gallons per day (MGD) to 21 MGD initially. A useful feature of the newer technology being used at the Rocky Pen Run treatment facility is that it will allow for membranes to be added as needed, to increase capacity (in 5mgd increments) as demand increases over the next 20 years.

Our current CIP includes projections for an average annual reinvestment in the existing system of \$4.5M. Our current infrastructure has an estimated replacement value of \$472M. Failure to fund the improvements could jeopardize the reliability of the system; defer, rather than avoid expenditures, and result in even higher funding needs in future years. The reinvestment of the \$4.5M annually is less than 1% of the replacement value.

Ms. Fitzgibbon explained that one of the ways we use our customers' dollars wisely is to make sure we minimize our costs by maintaining our bond ratings. The higher the bond rating, the lower the cost would be to borrow. Stafford's strong bond ratings could save the County about \$109,000 per year for every \$10M borrowed.

Ms. Fitzgibbon reported that our proposed rate increases are in line with the three main objectives of our proposed fiscal policy:

- ♣ Maintain a strong operations and maintenance program and complete priority projects in order to deliver high quality water and wastewater services.
- ♣ Maintain high quality bond ratings
- ♣ Maintain reasonable and justifiable rates and fees

Proposed modifications to the fiscal policy include:

- ♣ Changing the amount of Reserve levels
- ♣ Changing the debt service coverage requirements

Ms. Fitzgibbon reported our current fiscal policy indicates our rate structure should maintain competitive rates within our "peer group localities". For the average residential water and sewer customer, Stafford County currently has the second lowest rates of our peer group localities. Even after the proposed three-year rate increase, Stafford County would remain the second lowest in the group for this set of customers and below the average Virginia rate.

Ms. Fitzgibbon reported there has not been a rate increase since January 2008 for user fees and water availability fees have not changed since December 2005. Sewer availability fees have not changed since 1997. She also provided a summary of the proposed changes for Ordinance O10-30 which includes a 3%, 7%, 8% rate increase for FY11, FY12, and FY13 respectively. The average residential customer would see an increase of \$1.24 in FY11, \$2.91 in FY12 and \$3.54 in FY13. The residential conservation rate would remain unchanged but the threshold amounts would increase from 20,000 to 25,000 gallons. The irrigation/bulk rate would remain unchanged. The water availability fees would increase from \$5,600 to \$6,900 and sewer availability fees would remain unchanged.

Mr. Tignor asked why the threshold amount for the conservation rate changed from 20,000 to 25,000. Ms. Fitzgibbon responded that following a number of complaints from customers, it was recommended that staff re-evaluate the conservation rate. After re-evaluating the rate, staff determined that by increasing the threshold amount by an additional 5,000 gallons, only about half of the customers would be impacted.

Chairman Lloyd Chittum then opened the public hearing for statements from the public. Mr. Paul Waldowski commented that with regards to the presentation about improving the infrastructure, he feels infrastructure improvements in his area are not being applied. Following the public comments, Mr. Chittum closed the public hearing.

Mr. Apicella made a motion to recommend proposed Ordinance O10-30 to the Board of Supervisors to hold a public hearing. The motion was seconded by Clarence Young and passed unanimously.

Approval of Minutes – Mr. Apicella requested the following correction to the April 13, 2010 minutes: On page 2, add the word "utilities" before expenditures in the following sentence: Mr. Apicella requested that discussion of expenditures at BOS meeting be added under New Business on the agenda. Following the correction, minutes for the April 13, 2010 meeting were approved as written.

Commission Members' Comments – Mr. Tignor asked for an update about the Stafford Safety Net Program. Mr. Critzer responded the Board of Supervisors approved the concept of the program. Information has been placed on the county's website; however, it has not been set up where customers can make a donation via their utilities bill payment. The Round It Up program is currently not being considered because our financial software cannot handle it. We are only considering a one-time or recurring amount that can be donated. Mr. Tignor inquired how an electronic donation would be handled. Mr. Critzer responded he would need to obtain specific information regarding electronic donations. Mr. Chittum requested that staff research and report on how Dominion Virginia and/or other utilities handle electronic donation payments.

Director's Report – Mr. Critzer provided an updated report on the feasibility of taking one of the water plants off line once Rocky Pen Run goes on line. Mr. Critzer explained that if Abel Lake WTF was taken off line for 12 years while expansions were done to the other plants, and brought back on line as a membrane plant, it could cost \$325M over a 25 year span. This could provide a \$20M savings over the 25 year span versus running all of the water plants at a cost of \$345M over a 25 year span. Once more definitive information is obtained staff will forward it on to the Commission for consideration.

Unfinished Business–Utilities Fiscal Policy Revisions – Following discussion about the proposed revisions to the Utilities Fiscal Policy, Mr. Apicella made a motion to recommend the proposed fiscal policy to the Board of Supervisors with the following two changes:

On Page 3, #8(c) Attempt to have growth pay for associated growth and infrastructure based on the accounting of funds described above

On Page 3, #10 Rather than trying to set rates and fees to provide the lowest rate right now, the intent will be to provide the lowest rates over time. To accomplish these objectives, water and sewer fees will, at a minimum, be increased annually by an amount equal to 75% of the most recent annual increase in the Consumer Price Index (CPI).- All Urban Consumers (CPI-U) for the Washington-Baltimore area.

The motion was seconded by Mr. Tignor and passed unanimously.

There being no further business, the meeting was adjourned at 8:05 p.m.

Respectfully submitted,

William C. Tignor,  
Recording Secretary